

profile

Operations

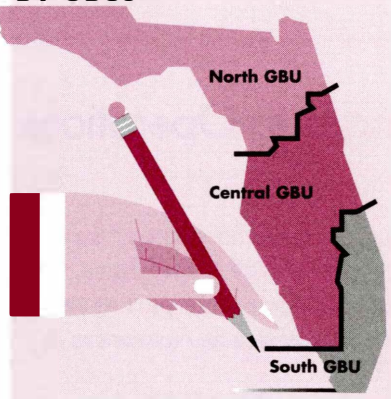
A special series devoted to Organization Re-design

December 3, 1997

Operations makes sweeping changes to serve GBU customers

Organization Re-design implementation is transforming Operations as the area moves from a market-segment orientation to a **Geographic Business Unit*** (GBU) approach to doing business. We have nearly completed much of Operations' implementation while making good progress with a number of other projects.

OPERATIONS RE-ALIGNS BY GBUs



Prior to organization re-design, Operations was responsible for the operational functions for our PPC/Traditional business, with units organized by market segment. One area, for example, handled the operational

functions such as claims and customer service for direct customers while another managed the needs for local group customers. Additionally, the five regions established operational units for the HMO business in their region.

This arrangement resulted in six independent operations areas in the company with split operational accountabilities for the HMO and PPO/Traditional business. This structure created organizational barriers that made it difficult to provide consistent service throughout the company or to take advantage of economies of scale.

Operations' re-design calls for the consolidation of all HMO operational functions—customer service, membership and billing, and claims. The result is an

Operations area aligned by GBUs—in other words we have one unit responsible for customers and products in the North GBU, another for the South GBU and a third for the Central GBU. These units are distinct so they can address the different needs of each GBU's customers, but they also work together to ensure work processes are consistent throughout the state.

Another change involved reorganizing the operational functions for our non-HMO business, previously aligned by market segment, and matching those functions up by GBU.

"Bringing these operational functions into one area helps us provide better and more timely service to customers and providers, clarify accountabilities, improve our operations performance, take advantage

Continued on page 2.

Editor's Note

This is the second in a series of special issues of *Profile* focusing on Organization Re-design. In this issue, we take an in-depth look at the re-design work taking place in Operations. An organizational chart is included to illustrate the division's new structure.

The special *Profile* series focuses exclusively on the re-design efforts of each business unit and special projects underway as part of implementation of our re-design. We hope that these special issues help build your understanding of the changes taking place throughout the company and how we will operate under our new structure. Please let us know how we are measuring up to this goal by completing the feedback form in each issue.

*Boldface terms are defined in the glossary on page 6.

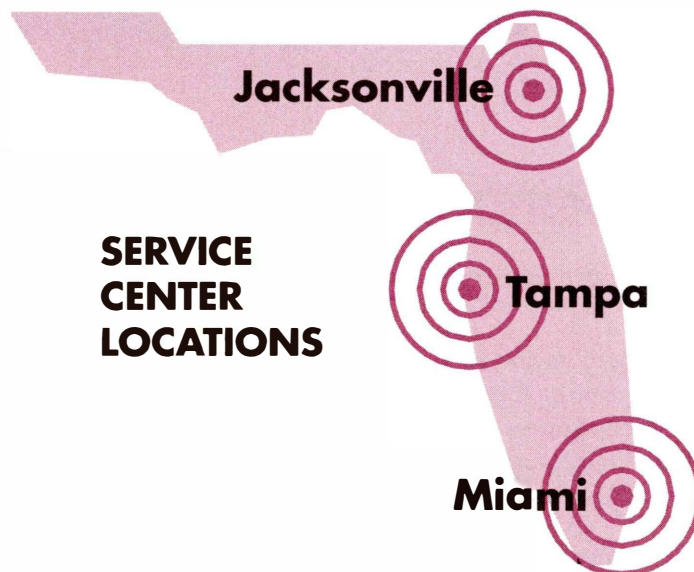
Three centers provide customer service

Under our previous organizational structure, each region handled its own HMO customer service calls. With Organization Re-design, Operations is establishing service centers for each GBU to handle customer calls and written inquiries. These centers are located in Jacksonville, Miami and Tampa. Although the service centers are physically located in the GBUs, they are part of the Operations organization.

This project involves consolidating the customer services areas from five regions into three major service centers. Work includes developing standard operating procedures; hiring and training staff; and upgrading phone systems to handle increased volume due to the consolidation. Audio response units that use voice prompting to route customer calls or allow them to get the information they need through automated systems are also being put in place.

Each GBU has a separate project plan based on its different needs. Work is on schedule. The North GBU consolidation is complete. Consolidation for the Tampa and Miami service centers is targeted for completion by the end of first quarter 1998.

For the future, customer service may evolve to virtual pooling among the centers. With virtual pooling, if a customer calls a service center that is very busy, the call is routed to another center where it can be answered immediately.



ESTABLISHING SERVICE CENTERS

Re-design involves establishing service centers for each GBU. Work includes:



Sweeping changes to Operations

Continued from page 1.

of economies of scale and increase efficiency," says John Oetjen, vice president, North GBU Operations. "It assures that our HMO customers in one part of the state receive the same quality service as customers in another part of the state."

Operations is developing **Individual Service Agreements*** (ISAs) with the GBUs to determine the individual needs of each GBU and how they can best meet those needs. Those agreements will be finalized soon.

"These ISAs are a very important piece of our re-design efforts because they will help define the scope and level of services the GBUs expect from Operations," says Joel Smith, project director for Operations organization re-design. "The ISAs will determine the shape of our planning and setup to ensure that we meet these expectations."

The Operations implementation effort is organized into four main areas of activity: HMO customer service; HMO membership and billing; HMO claims; and alignment of non-HMO operations.

Membership and billing simplified

Work to transfer membership and billing functions to Jacksonville involves two major projects:

- Consolidating the membership and billing functions from five regions into a single centralized department in Jacksonville; and
- Integrating the HMO enrollment and billing processes from the Managed Healthcare System (MHS) to the Regular Business and Membership System (RBMS). RBMS currently handles enrollment for our PPO/Traditional and life products.

To date, we have consolidated enrollment and billing for 75 percent of our group customers, including those from Pensacola and the West Coast. The transfer of Orlando and Miami group customers to corporate Membership and Billing is scheduled for completion by the end of November and December, respectively.

BCBSF currently uses one billing system for HMO products and another system for PPO/Traditional products. The conversion to a single enrollment and billing system will be more convenient for our customers since it will allow a single invoice and a single point of contact.

Implementing these projects has been a team effort with participation of employees from across the company.

Conversion from the MHS to RBMS system began in the North GBU in October, and the entire project is targeted for completion by year end 1998. During the conversion we're also auditing the information on specific accounts to ensure we have complete, accurate and up-to-date enrollment data on members and dependents.

"Implementing these projects has been a team effort with participation of employees from across the company," says Darnell Smith, vice president, National Account Operations and Corporate Membership & Billing. The outcome is an enhanced process, an improved enrollment and billing system and the combined expertise of both GBU and corporate employees to provide truly exceptional customer service.

Aligning claims functions by GBU

Before our re-design efforts began, we determined that consolidation of HMO claims would reduce costs and inconsistencies in claims processing while increasing the level of performance and service we could provide our customers. As a result, consolidation of the claims process actually started in mid-1996. This consolidation is 90 percent complete with full consolidation expected by the end of 1997.

Improving the claims process

Not only is Operations changing its structure as it implements its re-design, it's also changing some of its processes. The data entry of some claims is being shifted from manual entry to the Optical Character Recognition (OCR) Unit.

The OCR scanner eliminates many manual data entry requirements and is a faster, more accurate method of entering some claims. The OCR screen design also allows non-scannable claims to be entered at a faster rate. Although this was not a Phase II blueprint recommendation, this transfer is underway and should be completed by first quarter 1998.

Non-HMO operations

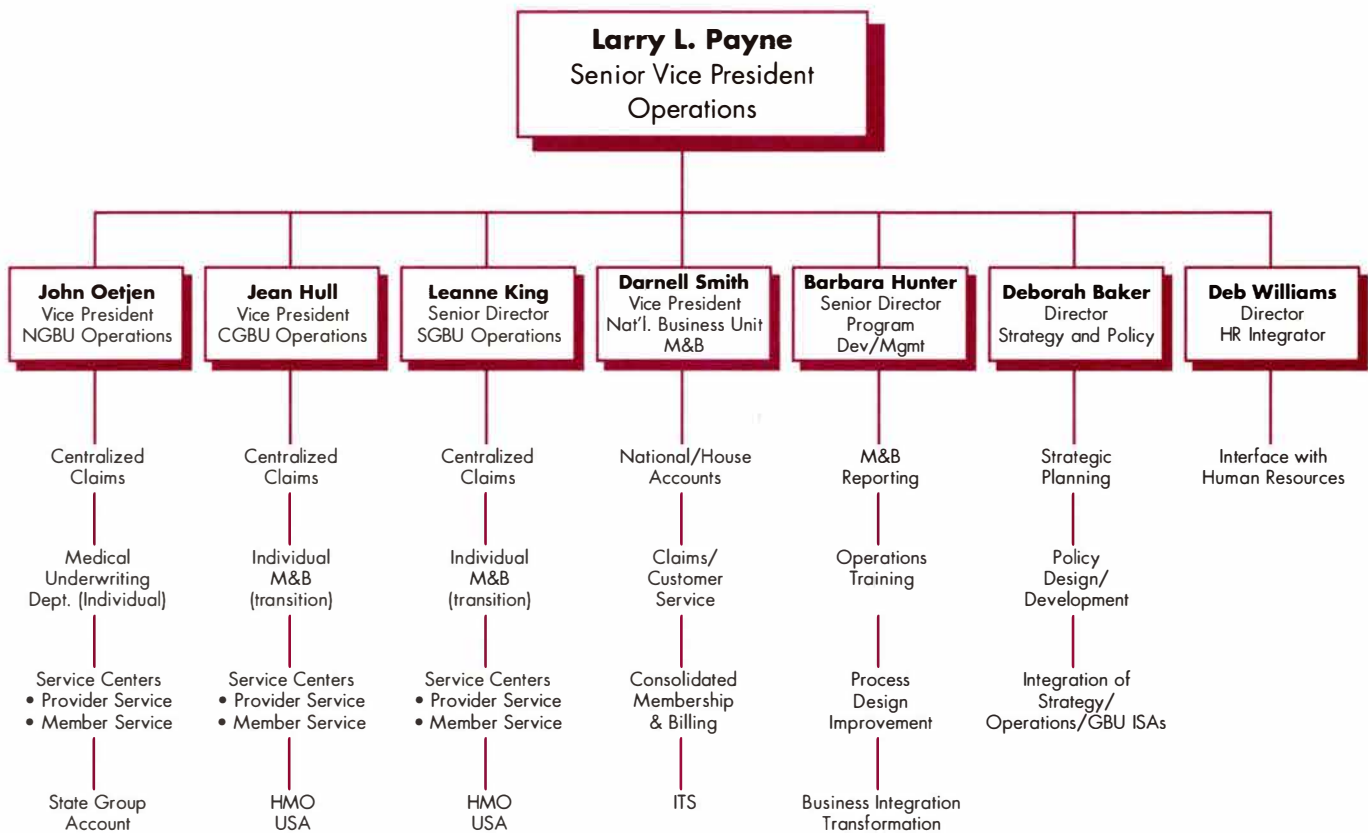
Another element of Operations' re-design included the restructuring of non-HMO operational functions. Like our HMO business, non-HMO operational functions will be handled by the GBU Operations area in which the customer receives services.

Goals of Organization Re-design

- Improve our customer focus and the ease with which customers interact with the company;
- Capture benefits of local presence;
- Support our low-cost producer position;
- Increase the speed of decision making;
- Align and articulate authority and accountability;
- Establish a strong results-oriented focus;
- Build and upgrade selected capabilities that support the corporate strategy.

Operations Group

With Functional Accountabilities



Serving needs of large group customers

Operations also considered the servicing of large groups in its re-design. Under the re-design, some of our large group customers continue to be serviced by a dedicated unit that handles all operational functions for a specific group. For large groups with employees throughout the state that do not have a dedicated unit, operational functions will be handled by the Operations area supporting the GBU in which the member obtains services.

For example, the North GBU Operations area will service the state employees who have our PPC product because a dedicated unit is being established. However, State Group customers enrolled in our HMO product will be serviced by the specific GBU Operations area in which the member obtains services.

Let us hear from you!

Please take a few moments to complete this feedback form and send your responses to: Joyce McCall, Public Relations & Corporate Communications, DCC 3-4. If you prefer, you may fax your response to (904) 905-4691.

1. This issue of *Profile* helped me better understand the structure and functions that are part of Operations as a result of Organization Re-design.

Strongly Agree	Agree	Don't know	Disagree	Strongly Disagree
1	2	3	4	5

1a. What are some of your reasons for this rating?

3. This issue of *Profile* was easy to read.

Strongly Agree	Agree	Don't know	Disagree	Strongly Disagree
1	2	3	4	5

4. This issue of *Profile* had the right amount of information in it.

Strongly Agree	Agree	Don't know	Disagree	Strongly Disagree
1	2	3	4	5

5. In your opinion, what would improve this issue?

6. What information about implementation of organization re-design would you like to see in future special issues of *Profile*?

Thank you for your response.

Feedback Form *(continued)*

Send your response to:

Joyce McCall

Public Relations & Corporate Communications

DCC 3-4

or

Fax your response to (904) 905-4691

Eyeing future improvements for enhanced customer service

As Operations implements its re-design blueprint, it will continue to assess the effectiveness of the changes and to make improvements. 1997 has been a transition year for Operations. Current changes

underway will help improve customer service while achieving cost savings. Most cost savings will be realized in 1998.

"We'll be monitoring our savings to see if we achieve the levels we expected. If not, we'll be working to figure out why," says Joel Smith. "As we go forward, we'll be using our continuous quality improvement measures to evaluate our service to customers and determine ways to improve that service."

Meeting customer needs with cross training

Changes to Operations processes will require employees to develop new skills so we're planning a significant training effort. Employees are being trained by product so they can handle multiple operational functions for that product.

"Cross-training staff will result in a more effective use of our work force," says Joel Smith. "Customer service representatives will be better able to answer customers' questions if they are familiar with claims adjudication. And cross-training staff by product is designed to allow Operations staff to handle increased volume in specific areas."

A pilot training program is underway through the end of the year. Once the pilot is completed, Operations will use "lessons learned" to improve the training curriculum and determine realistic timeframes needed to complete the training process.

A new challenge for Operations is to do more significant cross-training across products and systems. And as new technology, such as the **Diamond system***, is put into place, employees will learn additional skills.

"Our vision is to have a cross-trained, cross-functional, knowledge-based work force," says John Oetjen. "This means everyone will be trained on all functions and all products so that any person on our staff will be able to answer provider and customer questions on the spot without having to call them back or transfer the call to someone else."

Virtual Office

Operations' re-design will evolve as it identifies improvements and advances in technology. One of the company's top priorities to help us achieve our managed care vision is the implementation of Virtual Office. The first release of Virtual Office was launched last month in the North GBU.

At end-state, Virtual Office will give providers access to real-time information in a number of areas including claims processing. In fact, the RBMS enrollment and billing system, which will soon handle both our PPO/Traditional and HMO business, will be one of the data bases utilized by Virtual Office.

"Virtual Office will be the process we use for the majority of our business," says Smith. "This improved process will dramatically improve the way we perform customer service, membership and billing and claims functions. Virtual Office will not only strengthen our relationships with providers, it will also result in better service to our customers."

Correction

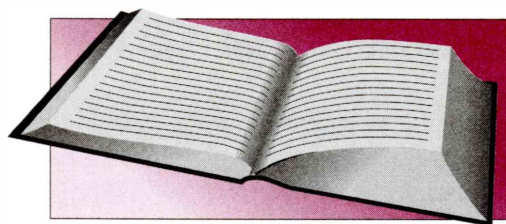
In the special issue of *Profile* dated October 15, two functions were incorrectly attributed to the GBU Sales area. We'd like to clarify the accountability for the management of the sales force and licensed general agents. Although the management of the sales force is a function of the GBUs, the accountability for recruiting and training the sales force is shared with Centralized Sales, a division of Marketing. Accountability for managing licensed general agents resides in Centralized Sales.

Glossary of terms

Diamond system—A client/server-based managed care system that will be used by VO to manage information and facilitate transaction processing associated with patient care.

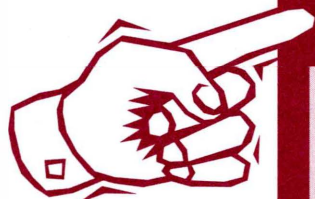
Geographic Business Unit (GBU)—BCBSF's Organization Re-design established the geographic business unit as the primary axis for the company's day-to-day operations. The GBU structure aligns key functions and accountabilities against geographic markets, allowing us to capture economies of scale and move key processes closer to our customers and providers.

Internal Service Agreement (ISA)—An internal service agreement is a contract between two divisions



for specific services. The contract promotes responsibility and accountability between the divisions for services that are critical in meeting overall objectives.

Virtual Office (VO)—A new capability that enables BCBSF to gather, integrate and manage information around delivery of patient care. Virtual Office (VO) electronically brings needed information into the provider's office through connectivity with the provider's practice management computer system.



Please give us your opinion...

**Complete the feedback form attached
to this newsletter and send it to:**

Joyce McCall

Public Relations & Corporate Communications

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